

Interviews and Presentations

Charitable Organizations and Terrorist Financing: A War on Terror Status-Check

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I. Introduction: Getting Up to Speed

Many of the charitable and service organizations serving as fronts for international terrorist groups today grew out of the network of organizations established in the 1980s to provide funding, materiel, recruits and more to the mujahideen fighting the Soviets in Afghanistan. Makhtab al-Kidmat/Al-Kifah Refugee Center, the Brooklyn, New York, services organization that is now widely seen as a key precursor to what developed into al-Qaeda, is a case in point. According to his grand jury testimony, convicted al-Qaeda terrorist Wadi al-Hage was called to New York in 1991 to help direct the Al-Kifah Refugee Center. There, al-Hage befriended several of the individuals later convicted of the 1993 World Trade Center and New York City Landmark bombing cases. Al-Hage played a direct role in the 1998 East Africa Embassy Bombings, and at one time served as Osama bin Laden's personal secretary.²

The Brooklyn case is equally representative of the fact that, while some charitable front organizations limited their activities to general logistical and financial support activities, others engaged in direct operational support for terrorist attacks.³

For example, after his arrest in Indonesia on June 5, 2002, Omar al-Farouq, al-Qaeda's operational point man in Southeast Asia, told his interrogators that al-Qaeda operations in the region were funded through a branch of the Saudi-based al-Haramain Islamic Foundation. According to al-Farouq, "money was laundered through the foundation by donors from the Middle East."⁴ Similarly, in October 2002, when NATO forces raided the Saudi High Commission for Aid to Bosnia (founded by Prince Selman bin Abd al-Aziz and supported by King Fahd) they found before-and-after photographs of the World Trade Center, U.S. embassies in Kenya and Tanzania, and the U.S.S. Cole; maps of government buildings in Washington; materials for forging U.S. State Department badges; files on the use of crop duster aircraft; and anti-Semitic and anti-American material geared toward children. An employee of this charity and another cell member who was in telephone contact with Osama Bin Ladin aide and al-Qa'ida operational commander Abu Zubayda, as well as four other Algerians, are incarcerated at Guantanamo Bay's Camp X-Ray for plotting an attack on the U.S. embassy in Sarajevo. Authorities quickly discovered \$41 million were missing from the commission's operating funds.⁵

In December, U.S. authorities raided the Chicago offices of another Saudi-based charity, the Benevolence International Foundation. The foundation's videos and literature glorify martyrdom, and, according to the charity's newsletter, seven of its officers were killed in battle last year in Chechnya and Bosnia. In March 2002, Bosnian officials investigating foreign humanitarian organizations reported funds were missing

from the Bosnian office of Benevolence International.⁶ Also in March, Bosnian police raided the offices of an Islamic charity called Bosnian Ideal Future, which is the local name under which Benevolence International operated in Bosnia. Officials seized weapons, plans for making bombs, booby-traps and false passports.⁷ A day later, the U.S. Embassy in Bosnia was shut down for four days, from March 20-24, after Bosnian officials informed the embassy of a possible threat. According to a Bosnian official, Al-Qa'ida terrorists reportedly met in Sofia, Bulgaria, where they decided that "in Sarajevo something will happen to Americans similar to New York last September."⁸ Two days before the Embassy reopened, Bosnian police arrested Munib Zahiragic, the head of the local Benevolence office and a former officer in the Bosnian Muslim secret police.

Though unaware of the terrorist support infrastructure such groups were establishing in the United States and elsewhere as early as the 1980s, by the mid 1990s the U.S. and other Western intelligence communities began to identify such activity. For example, a recently disclosed 1996 CIA document shows that as early as 1994 Washington was warning that in 1992 Saudi nationals gave some \$150 million to Islamic charities active in Bosnia and implicated in terrorism.⁹ (Authorities would later find that this activity also began in the late 1980s, when computer files uncovered in the March 2002 raids on the Benevolence International Foundation in Bosnia revealed a 1988 al Qaeda memorandum listing 20 Saudi financial backers described by bin Laden as "the Golden Chain.")¹⁰ Even then, however, authorities were excruciatingly slow to catch on to the full scope of such activity and to identify and define it as "terrorist" activity, and therefore little or no action was taken to counter this subversive activity, infiltrate these offices, or otherwise diligently monitor their activities.

Amazingly, even after the investigation of the 1988 East Africa Embassy bombings revealed that charities played critical roles in funding the operations and providing cover for its operatives, authorities still failed to take decisive action against the vast network of charities it identified as tied to terrorist groups.¹¹

II. Countering Terror Financing: How Realistic?

The war on terror is far from over, even as we find ourselves fighting another war in Iraq that demands its own share of our limited intelligence, diplomatic and military resources. To be sure, al-Qaeda, its affiliated groups, and other international terrorist organizations continue to attempt to carry out increasingly heinous attacks; all too often they will succeed. Indeed, the edifice of hatred and resentment now permeating the Middle East provides an ideal environment for terrorist groups to exploit, facilitating recruitment of operatives, supporters, and financiers.

And it is therefore an especially painful reality that no counterterrorism technique or effort, however extensive, international, or comprehensive, will put an absolute end to such attacks or uproot terrorism. There will always be people and groups with entrenched causes, an overwhelming sense of frustration, a self-justifying worldview, and a healthy dose of evil, who will resort to violence as a means of expression. The goal of counterterrorism, therefore, should be to constrict the environment in which terrorists operate, making it increasingly difficult for them to carry out their plots of destruction and death. This includes cracking down not only on operational cells, but on their logistical and financial support networks as well.

One senior U.S. official involved in combating terror financing commented that "it's Pollyannaish to say that we will stop the flow of all the money, but it's also self-defeating not to try."¹² To be sure, we can't stop the flow of all the money; but we can constrict the environment in which terrorists operate. We can make it more difficult for terrorists to raise, launder, and transfer funds, and that will make it more difficult for them to conduct attacks. Among the various means of raising, laundering and transferring funds employed by terrorists, the use of charities and other non-governmental organizations (NGOs) stands out for a variety of reasons. First, the fraud inherent in the abuse of charities, wherein monies donated to make the world a better place in fact fund death and destruction, is an egregious abuse of people's trust and a distortion of the Islamic charitable obligation of zakat. Second, the humanitarian nature of most of these charities and service organizations places their offices and employees on the

ground in conflict zones of particular interest to terrorist organizations without raising undue suspicion. Third, charities provide an outlet not only for raising significant amounts of money, but, even more critically, are ideal vehicles for laundering and transferring those and other funds. Fourth, charities not only serve as the perfect cover for terrorist operatives they employ, by sending the funds through recipient service organizations they offer simple and extremely secure means of laundering funds and shielding the ultimate end-users from scrutiny. For example, funds raised by Hamas and wire-transferred abroad may be traced to a specific Hamas-run charity in the West Bank or Gaza, but the cash disbursements delivered by courier to Hamas operatives are impossible to follow without extremely strong intelligence - usually of the more rare human (HUMINT) variety.

Despite the ease and advantages of using charities as fronts for terrorist organizations, authorities throughout the world have made great strides in constricting the environment in which terrorist groups abuse charities to raise, launder and transfer funds. While much remains to be done - especially relating to (a) under-cooperative states like Malaysia and Indonesia,¹³ and (b) groups other than al Qaeda, like Hamas - vastly increased international cooperation has increased awareness of the fact that terrorist groups raise funds through charities and led to concrete efforts to stem the flow of funds to terrorists under the guise of charitable giving.

III. Progress

Still, the effort to deny terrorists the ability to raise funds through charities has been successful on several fronts.

1. Awareness. Perhaps the greatest advantage of using charities to finance terror is the veil of legitimacy such fronts enjoy as charitable or humanitarian organizations. Two and a half years into the war on terror, governments, non-profit organizations, aid groups, and donors are aware they are highly susceptible to penetration by terrorist operatives, to financial fraud by terrorists posing as legitimate fundraisers, and to having funds earmarked for good works misdirected to finance terror. Similarly, there is now a greater awareness of the diverse means by which terrorists co-opt charitable giving. Some charities are founded with the express purpose of financing terror, as authorities believe was the case with the Benevolence International Foundation (al Qaeda), the Holy Land Foundation for Relief and Development (Hamas) and the Islamic Committee for Palestine (Palestinian Islamic Jihad). Others are infiltrated by terrorist operatives and supporters and co-opted from within. For example, the Islamic Red Crescent has been infiltrated by al Qaeda and Palestinian terrorists. Recognizing that analysis of this particular preferred means of terror financing demands a discerning and discriminating levels of analysis approach, Ambassador Francis X. Taylor, then the State Department's Coordinator for Counterterrorism, noted in 2002 that "any money can be diverted if you don't pay attention to it. And I believe that terrorist organizations, just like criminal enterprises, can bore into any legitimate enterprise to try to divert money for illegitimate purposes."¹⁴

2. Combating Money Laundering. Following the lead and recommendations of the Financial Action Task Force on Money Laundering (FATF), an increasing number of countries have stepped up their efforts - domestically and in coordination with regional and international partners - to combat money laundering. At its core, financing terrorism through charitable organizations is simply a variation on standard, criminal money laundering techniques. Many countries have drafted, and of those many of have already passed, new domestic legislation outlawing money laundering and enforcing stiffer penalties when laundering money in support of terrorist activity.

3. Shutting Key Nodes. Though the amount of terror-related funds frozen internationally remains negligible, the impact of freezing terrorists' assets can be significant if the right accounts, companies, or front organizations are shut down. Denying terrorists access to their preferred means of raising, laundering, and transferring funds complicates their efforts to conduct their activities.

Constricting the terrorists' operating environment and cracking down on terrorist financing requires a disciplined focus on the key nodes in the network of terrorists' financial and logistical support groups. Disturbingly, many of these organizations are not particular to one terrorist group.

Consider a few examples:

- Bank al Taqwa: One of the first financial institutions shut down by the United States after September 11 was a family of financial institutions known as Bank al Taqwa. Announcing the seizure of al Taqwa's funds, President Bush noted that al Taqwa and its various affiliates in the United States and abroad were not only being used to raise funds for al Qaeda but as a key means for transferring and laundering those funds and also for transferring military and other equipment to al Qaeda operatives internationally. But Bank al Taqwa provided similar services to many other terrorist groups as well.

In 1997 Hamas used Bank al Taqwa to transfer as much as \$60 million that it raised internationally to the West Bank and Gaza. The Italians subsequently came forward with information that Bank al Taqwa was servicing several North African groups that now play a more central role in al Qaeda.

- The International Islamic Relief Organizations (IIRO): One of the chief Saudi charities definitively linked to financing a variety of international terrorist groups is the International Islamic Relief Organizations (IIRO). The IIRO has funded al Qaeda directly, as well as several of its satellite groups from Kashmir to the Philippines. Bin Laden's brother-in-law, Mohammed Jamal Khalifa, headed the organization's office in the Philippines, and the organization's office in northern Virginia shared office space with about 50 other financial shell organizations that are now the subject of a massive counterterrorism investigation.

When Israeli forces entered the West Bank last April they hauled out a large collection of documents, a good number of them bore the logo of the International Islamic Relief Organization. Among those, several included lists of recipients of aid in which the names of families of suicide bombers were highlighted. Further investigation revealed that the IIRO sent at least \$280,000 to Hamas affiliated organizations in the West Bank.

- Al Aqsa International Foundation: Perhaps the most interesting and recent example is the fact that after significant pressure and lobbying by both Israeli and American authorities, several individual European countries (but not the European Union) joined the United States in banning the al Aqsa International Foundation.

The al Aqsa International Foundation is a Hamas front organization also suspected of sending smaller amounts of money to Hezbollah. The head of the foundation's office in Yemen, Sheikh Moayed, was arrested in Germany - not for his fundraising on behalf of Hamas but for the weapons and millions of dollars he sent directly to al Qaeda operatives well after September 11.

- Northern Virginia: The long list of charitable and business front organization run out of 555 Grove Street in Herndon, Virginia, demonstrate the critical need to break away from the tendency to adhere to a strict compartmentalization of terrorist groups in investigating terrorism cases. Investigating the family of organizations in Northern Virginia - including the Safa Group, SAAR Foundation, Success Foundation and many more - strictly as a Hamas, Palestinian Islamic Jihad (PIJ), or al-Qaeda case clearly did not work. Indeed, the tentacles of this entrenched network are suspected of providing tremendous logistical and financial support to a variety of international terrorist groups.

- Madrid: Nor is the problem unique to charitable organizations. Perhaps the most significant cell to be broken up since 9/11 is not the Hamburg cell but the al Qaeda cell led by Imad Yarkas (aka Abu Dahdah) in Madrid, Spain. The cell in Madrid is very interesting on many levels, and is now under suspicion for ties to the March 2004 recent string of railway bombings there. First of all, a member of the Madrid cell provided pre-operational surveillance of the Twin Towers, several bridges in New York, California and other sites in the United States during a supposed tourist visit in the late 1990s. The material was found

in al Qaeda safe houses and in Hamburg. It was also the Madrid cell that provided a good deal of the financing for key members of the Hamburg cell directly, even as it funded other cells and other groups. For example, the leader of the Madrid cell sent money to Hamas at least twice. In one case he sent funds to a charity committee in Hebron that American and Israeli officials both linked to Hamas, and in another case he provided money to a local Imam in Madrid with known ties to Hamas.

Indeed, a careful look at the relationships between terrorists from various groups reveals that most of the overlap between groups occurs among key nodes within this matrix of financial and logistical support networks.

IV. Charities Remain Active in Terror Financing

While the attacks of September 11 provided a long overdue wakeup call to the issue of terrorist financing in general and to the abuse of charities in particular, as well as the political will to finally do something about it, operationalizing the war on terror financing has proved an enormously difficult task with a painfully - and many would say unnecessarily - long learning curve. Indeed, despite the successes noted above, charities remain a preferred means of attending to terrorists' financial and logistical support needs.

Consider some ongoing trends in need of greater attention:

1. Unregulated Giving. Amazingly, efforts to protect charities from abuse, to preserve long held traditions of charitable giving and humanitarian support, and to crack down on the criminal abuse of charities by terrorist elements are still insufficiently coordinated and piecemeal. There is no serious effort to date, neither by any individual country nor any group or countries or international organization, to regulate and account for the flow of funds from donors to charities, from charities to grassroots organizations and aid groups, and from these recipient organizations to the people and projects they claim to fund. Without transparency and regulated audits charities will remain an all too attractive means for terrorists to raise, launder and transfer funds.

For example, Saudi officials had claimed they shut the Somali and Bosnian branches of the Al Haramain Foundation even as the head of the Foundation explicitly denied this was the case. Coincidentally, this claim came on the heels of a UN report that revealed that "al Haramain is still active in a number of countries and has just opened a new Islamic school in Jakarta, Indonesia.¹⁵ In response, a Saudi official insisted, "Al Haramain can not spend a penny outside Saudi Arabia." Then, apparently contradicting himself, he added, "If Indonesia thinks that Al Haramain is active there, then Indonesians must take action and not us the Saudis." The following month, several offices of al Haramain - including the Indonesian office - were shut in a joint U.S.-Saudi action.¹⁶ US officials explain the Saudis want to deal with the issue of Saudi charities "within the family," but the lack of transparency and political will make that an untenable proposal.¹⁷

While particularly acute in Saudi Arabia, the phenomenon of unregulated (or at least under-regulated) giving is an unnervingly common one worldwide, including in developed, Western countries. For example, though designated as terrorist entities in December 2001, the Benevolence International Foundation, Holy Land Foundation, and Global Relief Foundation were only recently stripped of their tax-exempt status (effective November 2003).

2. The Saudis. While the Saudis have taken some significant steps forward in the war on terror financing, the Kingdom remains the single most important for terror financing in general, and for the abuse of charities in particular. In the wake of the May and November 2003 attacks in Riyadh, the Saudis have reportedly reigned in some two-thirds of the questionable charitable fundraising that was going on in the Kingdom.¹⁸ Still, it is not without reason that a senior U.S. official charged with combating terror financing described Saudi Arabia as "the epicenter" of terror financing.¹⁹ Indeed, recent United Nations

and U.S. General Accounting Office reports highlighted the difficulty of combating terror financing, and the central role Saudi Arabia plays in this continuing problem.²⁰

Within the Saudi decision making elite there are some keenly interesting in reforming society, including not only a program of deradicalization but also an effort to instill a sense of personal responsibility concerning where charitable donations end up. Similarly, some Saudi decision makers recognize there is an acute need for a cultural reeducation of Saudi society regarding the fact that a charity supported in fulfillment of a religious duty can be used for nefarious purposes. There are other, equally powerful elements of the Saudi decision making elite actively undermining this effort.²¹

The crucial test of Saudi efforts to curb terror financing is the willingness to hold elites accountable. The Saudis must crack down on the terror financing conducted by prominent members of their business class, elites tied to the royal family, charities, and banks, and have intermittently intimated they would. As early as June 2003, U.S. officials indicated the Saudis were about to take concrete action against members of the Jeddah merchant class closely tied to members of the royal family, at least one Saudi Bank, and foundations like al Haramain. U.S. officials hoped the early January 2004 firing of Sheikh Aqel al Aqel, who headed the al-Haramain foundation for thirteen years, would herald further actions targeting Saudi elites involved in promoting radical Islam and funding terrorism. They were disappointed. Beyond al Aqel, U.S. officials point to the al Raji Bank, with its affiliated organizations, individuals, and charities, as an example of a Saudi institution implicated in criminal terrorist investigations, yet not subject to scrutiny by the Saudi authorities.

3. Enforcement. Even some of the asset forfeiture actions, travel restrictions and designations of "specially designated global terrorist entities" failed to impact these entities and their financing of terrorists entities for lack of rigorous enforcement regimes. For example, U.N. and U.S. officials both note that Wael Jalaidan, an al Qaeda founder and "designated terrorist entity," still works with suspicious charities and handles large sums of money. There have been no arrests of prominent Saudis or closures of financial institutions in the kingdom. Very few accounts have been frozen, and the Jalaidan case suggests those few have been frozen in name only.²² According to U.S., European and U.N. officials interviewed about the U.N Report, governments worldwide are "not enforcing global sanctions designed to stem the flow of money to al Qaeda and impede the business activity of the organization's financiers, allowing the terrorist network to retain formidable financial resources." ²³

Similarly, though Crown Prince Abdullah officially withdrew the kingdom's support for Hamas in early 2002, special accounts called "Accounts 98," which the government created to funnel money to Palestinian organizations, continue to function and fund groups like Hamas. In fact, ten months after the crown prince withdrew his support for Hamas, the group's leader, Khaled Mishal, was an honored guest in Saudi Arabia at the annual conference of the World Assembly of Muslim Youth. The EU has been equally weak on non-al Qaeda terrorist groups like Hamas and Hezbollah. The EU does not include Hezbollah on its list of banned terrorist organizations, and while it decided to ban not only the military but the social and political wings of Hamas in September 2003, it has recently backtracked from that position. In a particularly egregious case, Interpal, believed by U.S., Canadian, Israeli and European intelligence officials alike to serve as the main Hamas front in Europe from its London offices, was given a clean slate by the British Charity Commission despite ample evidence of its fundraising for Hamas.²⁴

V. Reactions to Counterterrorism Measures

Al Qaeda and other terrorist organizations garner the most attention when they conduct spectacular attacks and engage in revolutionary tactics, but they are most successful when they adapt, in an evolutionary fashion, to the ever-changing operational environment in which they must function. In this regard, al Qaeda is particular adept.

For example, publicly disclosed Italian telephone wiretaps reveal that al Qaeda-associates in Italy and elsewhere in Europe were radicalizing and recruiting local Muslim youth to engage in terrorist training at

the Ansar al Islam training camp in the Kurdish areas of Northern Iraq near to the Iranian border. In one particularly interesting conversation, a senior individual in Syria offers his lieutenant in Italy a series of instructions to evade the counterterrorism measures put in place since 9-11. He gave very specific advice on how long to stay on the phone, what type of phone to use, not to use the internet, where to hold meetings and where not to hold meetings. The commander in Syria got the sense over the phone that his lieutenant was overwhelmed with the detailed instructions he was being given, so he added that the one thing they need not worry about is money. "Because," he said, "Saudi Arabia's money is your money. 25

Terrorist operatives affiliated with charitable front organizations also engage in constant assessments of their operational environment and change their tactics accordingly. In fact, a troubling catch-22 of counterterrorism is that every success breeds new, more difficult targets. The disruption of a group's known, centralized mode of operations (operational, financial, logistical, etc.), while cause for celebration, frequently leads groups to become less centralized, more nihilistic, with more localized funding and support networks. In other words, successful disruptions often make future disruptions all that much more difficult. In the area of terrorist financing, particularly through charities, that is very much the case.

Consider the following examples:

1. Local offices and personnel. Saudi officials are now reportedly regulating donations made through the headquarters of charities based in Saudi Arabia, but not those made directly to the foreign offices of those same Saudi charities. These charities now direct donors to fund their regional offices directly, instead of going through the Saudi offices. They also hire local people so as not to raise suspicion. Speaking of radical Islamist efforts to radicalize and recruit young Muslims in Zanzibar, a local Islamic leader noted that "there are some (charitable) agencies that sometimes use a native of the village (to recruit) because the others would be caught by the police.²⁶

2. Focus on infrastructure. The increased scrutiny of charities often leads to a decline in direct logistical support for terrorist operations as such organizations seek to avoid public scrutiny. Instead, they are likely to increase infrastructure support, such as providing employment to covert operatives, laundering terror funds through strings of charities, and radicalizing society through social service organizations and militant schools. In the case of Hamas, the charity committees, mosque classes, student unions, sport clubs, and other organizations the group runs all serve as places where Hamas activists recruit Palestinian youth for positions in the Hamas da'wa, for terrorist training courses in Syria or Iran, or for suicide and other terror attacks. Indeed, Hamas terror cells in the West Bank increasingly rely on Palestinians unaffiliated with the Qassam Brigades for logistical and operational support, and even leading suicide bombers to their targets.²⁷ Abu Sayyaf and other jihadist groups associated with al Qaeda engaged in similar activity in Southeast Asia. According to a Philippine intelligence report, "the IIRO, which claims to be a relief institution, is being utilized by foreign extremists as a pipeline through which funding for the local extremists" is funneled.²⁸

3. Operating under new names. Banned charities often continue to operate and take measure to avoid sanctions. Many charities are incorporating under new names, either in response to being designated as banned terrorist entities or in an effort to evade attention. For example, the U.S. Treasury Department noted that after being designated in March 2002, the Bosnian branch of the al Haramain Islamic Foundation "reconstituted itself and continue operations under the name 'Vazir.'" In another case, Treasury also noted that the Indonesian branch of Al-Haramain also attempted to operate under an assumed name, "Yayasan Al-Manahil-Indonesia."²⁹ Similarly, the Al-Rashid Trust was designated by the U.S. on September 23, 2001 and by the UN 1267 Sanctions Committee on October 6, 2001. Information in the possession of the U.S. Government indicates that, as of mid-March 2002, Al Akhtar Trust was conducting all activities of the former Al-Rashid Trust.³⁰ In the Philippines, the IIRO was renamed "the Islamic Mercy Foundation" and continued Moro Islamic Liberation Front activities under that title.³¹

4. Avoid institutional accounts. Terrorists are also transferring funds through their members' personal accounts and their families' accounts, sometimes directly, sometimes through charities, in an effort to streamline the funding process. In the case of Palestinian groups, once Israel handed over administrative functions to the Palestinian Authority under the Oslo Accords, Israeli authorities no longer had direct access to Palestinian banking information. Documents seized by Israeli forces in the West Bank in the course of Operation Defensive Shield (April 2002) indicate that Palestinian groups recognized this gap and took advantage of it. In fact, Palestinian Islamic Jihad Secretary General Ramadan Shallah himself transferred funds from Damascus to the personal bank accounts of individual PIJ terrorists such as Bassam al Saadi, an operative responsible for PIJ finances in Jenin.³²

More recently, Israeli authorities raided several banks in the West Bank town of Ramallah and seized funds from accounts tied to terrorist operatives. These included the accounts of several charities, including the Jenin Charity Association and the Al Aslah Association in Al Bire, as well as the personal and family accounts of several terrorist operatives.³³

5. Less sophisticated, more reliable techniques. According to well informed U.S. sources, Saudi authorities caught Sheikh Aqel al Aqel, the recently fired director of the al Haramain foundation, illegally transporting millions of dollars out of the country via couriers. Terrorist operatives are likely to increasingly revert to slower, less sophisticated, but more secure means of transporting funds, avoiding official banking systems for human couriers, hawaladars, and alternative commodities such as precious stones. In a similar case, an official of the African branch of Lebanese Hezbollah and two of his aides were reportedly among those killed when a Union Transport Africaines (UTA) Flight 141 bound for Beirut crashed on take-off from Cotonou, Benin, in West Africa on December 25, 2003.³⁴ The Hezbollah officials were reportedly carrying \$2 million in contributions, raised from wealthy Lebanese nationals living in Africa, to the organization's headquarters in Beirut.

6. Increased money laundering. Increased awareness of charities' financing support for terrorist groups is also likely to lead such organizations to cut back on their direct support for terrorist operations or operatives and focus instead on laundering and transferring funds. Without other indicators suggesting illegal activity, money laundering can be especially difficult to identify. As the myriad of companies, charities and other suspected terrorist front organizations now under investigation in Northern Virginia highlights, charitable front organizations are perhaps most useful to terrorist groups as a means of laundering legitimate earnings, donations, and ill-gotten gains through cascading levels of charities and companies, including shell companies and paper charities. Shuffling funds among fronts makes tracing these financial trails immensely difficult as charities and companies layer their transactions and obfuscate the terrorist intentions of their myriad transactions.³⁵

7. Legitimization and PR. Much like other transnational criminal organizations, charities serving as front organizations for terrorist groups - at both the organizational and individual levels - often respond to the exposure of the activities by attempting to distance themselves from their alleged illegal activity and engage in otherwise legitimate endeavors to paint themselves in a more benign light. In the case of the war on terrorism, where much of the information used to designate individuals and organizations as terrorist entities remains classified, such legitimization campaigns take on even greater importance and utility. For example, some of the charities most closely tied to terror financing, including the al Haramain Foundation, the IIRO, and the Muslim World League, have hired Washington lawyers and public relations experts to repair their images in the U.S.³⁶

8. New arenas. Charities and service organizations are operate in a wide array of arenas, including such unsuspecting places as Cambodia and Mauritania.³⁷ Today, they are increasingly active in Iraq, the latest jihadist arena of preference. In the fall of 2003, coalition forces in Iraq captured a man entering the country with half a million dollars in cash on his person. The money was reportedly intended to fund attacks on U.S. forces³⁸ Around the same time, intelligence officials noted they had intercepted phone conversations between radical elements in Saudi Arabia and Baathists in Iraq, lending credence to

reports that radical Saudi charities were funding terrorism and insurgent violence in Iraq.³⁹ Iranian proxies and Shi'a groups closely aligned with Iran are also increasingly active in Iraq. Hamid Mir, a biographer of Usama bin Laden, informed Harvard professor and terrorism scholar Jessica Stern that "[Lebanese] Hezbollah has greatly stepped up its activities not only in Shiite regions but also in Baghdad."⁴⁰ U.S. officials and academics who have returned from Iraq confirm that a large number of Iranian sponsored charities are operational in southern Iraq. One account, based on interviews with Iranian dissident sources, asserts that "the IRGC's Qods (Jerusalem) Force is establishing armed underground cells across the Shi'i southern region of Iraq, often using the Iranian Red Crescent as a front."⁴¹ Such sources also report that "Hezbollah has established charitable organizations in Iraq in order to create a favorable environment for recruiting, a tactic that the organization had previously tested in southern Lebanon with Iranian assistance."⁴²

VI. Conclusion

Despite significant progress in the war on terror, and the war on terror financing in particular, terrorist operatives remain adept at accommodating to the changing counterterrorism environment and developing new, evolutionary tactics accordingly.

Charities serving as fronts for terrorist organizations - or infiltrated and abused by individual operatives - have received particular attention over the past two and half years. Many suspect charities have been shut, and even more have been forced to curtail their activities as a result of public exposure, private lawsuits, and international pressure. Still, terrorist front organizations, including charities, remain active. Further counterterrorism successes will be dependent on increased international cooperation, intelligence sharing, the passage of domestic antiterrorism and antimoney laundering legislation, and a focus on targeting not only those intent on pulling triggers, detonating bombs, or crashing airplanes, but also on those who make such operations possible by providing the necessary logistical and financial support. Terrorists evolve and cooperate; continued progress in the war on terror demands the international community learn to do a better job of the same.

NOTES

1Matthew Levitt, a former FBI counterterrorism intelligence analyst, is a senior fellow in terrorism studies at the Washington Institute for Near East Policy and an adjunct professor at the Paul H. Nitze School of Advanced International Studies (SAIS) at Johns Hopkins University.

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17Author interview with American official, March 2004

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